

# House Study Bill 663 - Introduced

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
GOVERNMENT OVERSIGHT BILL  
BY CHAIRPERSON HAGENOW)

## A BILL FOR

1 An Act relating to the examinations of the finances of certain  
2 cities.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 11.6, subsection 1, paragraph a, Code  
2 Supplement 2011, is amended to read as follows:

3 a. (1) Except for entities organized under chapter 28E  
4 having gross receipts of one hundred thousand dollars or less  
5 in a fiscal year, the financial condition and transactions of  
6 all government subdivisions shall be audited ~~at least once each~~  
7 year annually, except that cities having a population of ~~seven~~  
8 ~~hundred or more but less than two thousand shall be examined at~~  
9 ~~least once every four years~~ and budgeted gross expenditures of  
10 one million dollars or more in a fiscal year shall be subject  
11 to a required fiscal year examination for that fiscal year  
12 according to procedures established by the office of auditor  
13 of state, and cities having a population of less than ~~seven~~  
14 ~~hundred~~ two thousand and budgeted gross expenditures of less  
15 than one million dollars in a fiscal year shall be subject  
16 to periodic examination by the auditor of state according to  
17 procedures established by the auditor of state, and may be  
18 examined as otherwise provided in this section. The audit of  
19 school districts shall include an audit of all school funds  
20 including categorical funding provided by the state, the  
21 certified annual financial report, the certified enrollment as  
22 provided in section 257.6, supplementary weighting as provided  
23 in section 257.11, and the revenues and expenditures of any  
24 nonprofit school organization established pursuant to section  
25 279.62. Differences in certified enrollment shall be reported  
26 to the department of management. The audit of school districts  
27 shall include at a minimum a determination that the laws of  
28 the state are being followed, that categorical funding is not  
29 used to supplant other funding except as otherwise provided,  
30 that supplementary weighting is pursuant to an eligible  
31 sharing condition, and that postsecondary courses provided in  
32 accordance with section 257.11 and chapter 261E supplement,  
33 rather than supplant, school district courses. The audit of  
34 a city that owns or operates a municipal utility providing  
35 local exchange services pursuant to chapter 476 shall include

1 performing tests of the city's compliance with section 388.10.  
2 The audit of a city that owns or operates a municipal utility  
3 providing telecommunications services pursuant to section  
4 388.10 shall include performing tests of the city's compliance  
5 with section 388.10.

6 (2) Subject to the exceptions and requirements of  
7 subsections 2 and 3, and subsection 4, paragraph "a",  
8 subparagraph (3), audits or required fiscal year examinations  
9 shall be made as determined by the governmental subdivision  
10 either by the auditor of state or by certified public  
11 accountants, certified in the state of Iowa, and they shall  
12 be paid from the proper public funds of the governmental  
13 subdivision. However, a periodic examination of a city shall  
14 be conducted by the auditor of state or by a certified public  
15 accountant employed by the auditor of state pursuant to section  
16 11.32, and shall be paid from examination fees collected  
17 pursuant to subsection 10A.

18 Sec. 2. Section 11.6, Code Supplement 2011, is amended by  
19 adding the following new subsection:

20 NEW SUBSECTION. 10A. a. The auditor of state shall  
21 adopt rules in accordance with chapter 17A to establish and  
22 collect a periodic examination fee from cities that are not  
23 required to have an audit or required fiscal year examination  
24 conducted pursuant to subsection 1 during a fiscal year. Such  
25 fees are due on March 31 each year. However, cities that  
26 pay a filing fee for an audit or examination pursuant to  
27 subsection 10 during the fiscal year are not required to pay  
28 the examination fee. The funds collected shall be maintained  
29 in a segregated account for use by the office of the auditor of  
30 state in performing periodic examinations conducted pursuant  
31 to subsection 1. Notwithstanding section 8.33, any fees  
32 collected by the auditor of state for these purposes that  
33 remain unexpended at the end of the fiscal year shall not  
34 revert to the general fund of the state or any other fund but  
35 shall remain available for use for the following fiscal year

1 for the same purpose.

b. The auditor of state shall provide an annual report by January 15 of each year to the general assembly's standing committees on government oversight, advising the general assembly on the status of the account created in this subsection and on the status of the required fiscal year examinations and periodic examinations of cities.

8     Sec. 3. IMPLEMENTATION OF ACT. Section 25B.2, subsection  
9 3, shall not apply to this Act.

10	EXPLANATION
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11 This bill relates to the examination of city finances  
12 for cities with populations of less than 2,000. Current law  
13 requires that cities with populations of 700 or more but less  
14 than 2,000 be examined once every four years. Current law  
15 states that cities for which an audit is not required may be  
16 audited or examined as determined by the city or upon petition  
17 of taxpayers.

18 The bill requires that cities with a population of less  
19 than 2,000 and with budgeted gross expenditures of \$1 million  
20 or more submit to a required fiscal year examination by the  
21 auditor of state or a certified public accountant chosen by the  
22 city for that budgeted fiscal year. The bill provides that  
23 such examinations shall be conducted by procedures adopted by  
24 the auditor of state and shall be paid from the proper funds of  
25 the governmental subdivision.

26 The bill further requires that cities with a population of  
27 less than 2,000 and with budgeted gross expenditures of less  
28 than \$1 million submit to periodic examinations by the auditor  
29 of state or a certified public accountant employed by the  
30 auditor of state. The bill states that such examinations shall  
31 be conducted according to procedures adopted by the auditor of  
32 state. The bill retains the requirement that cities for which  
33 an audit is not required shall be audited upon petition of its  
34 taxpayers.

35 The bill requires that the auditor of state establish and

1 collect a periodic examination fee that shall be paid by all  
2 cities not subject to an annual audit or required fiscal year  
3 examination, and provides that such fees shall be maintained in  
4 a segregated account and are not subject to reversion to the  
5 general fund of the state or any other fund. The bill requires  
6 that the cost of conducting the periodic examinations under the  
7 bill shall be paid by the auditor of state from this segregated  
8 account.

9 The bill also requires that the auditor of state report by  
10 January 15 of each year to the general assembly's standing  
11 committees on government oversight on the status of the  
12 segregated account created for the conduct of periodic  
13 examinations and on the status of the required fiscal year  
14 examinations and periodic examinations of cities.

15 The bill may include a state mandate as defined in Code  
16 section 25B.3. The bill makes inapplicable Code section 25B.2,  
17 subsection 3, which would relieve a political subdivision from  
18 complying with a state mandate if funding for the cost of  
19 the state mandate is not provided or specified. Therefore,  
20 political subdivisions are required to comply with any state  
21 mandate included in the bill.